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TAGS: ECON PREL PGOV EAID ET

SUBJECT: GOE/PRC: CHINA SIGNALS WILLINGNESS TO COOPERATE
WITH THE UNITED STATES IN ETHIOPIA

Classified By: Charge d'Affaires, a.i., Deborah R. Malac for reason 1.4
(B)

Summary

¶1. (C) China is willing to compare notes with the United States on demonstration agricultural projects in Ethiopia, to have its volunteers in Ethiopia participate in events hosted by other third-country volunteer programs, and to consider cooperation between Chinese and American telecommunications firms, PRC Ambassador Lin Lin told the Ambassador on October 3. China's economic footprint in Ethiopia is rapidly expanding, led by its involvement in telecommunications and infrastructure development. The PRC's willingness to cooperate in some fashion on specific development initiatives is consistent with its rhetoric in the U.S.-China Sub-dialogue process, but in practice China remains slow to respond to suggested avenues for cooperation. End Summary.

China Open To Demonstration Farms...

¶2. (C) Ambassador Lin told Ambassador Yamamoto that China plans to introduce two demonstration farms in Ethiopia in the coming year. The farms will be built by the PRC government without private sector participation and will be staffed entirely by PRC nationals. They are intended to refine agricultural methods to help Ethiopian farmers increase yields, Lin added. After Ambassador Yamamoto described several U.S. demonstration farm projects here in Ethiopia, Ambassador Lin welcomed Ambassador Yamamoto's suggestion that US Embassy Addis Ababa and PRC Embassy Addis Ababa exchange reciprocal visits to the farms, once fully in operation, and explore areas to cooperate to improve Ethiopia's agricultural yield and food security. Ambassador Lin was not receptive, however, to U.S. suggestions that China include Ethiopian farmers and agronomists in their demonstration farms.

...Volunteer Contacts...

¶3. (C) When informed that several countries have discussed ways to build camaraderie among volunteers from different international volunteer service programs, Ambassador Lin said China would like to see its volunteers participate in events hosted by other third-country volunteer programs, such as swearing-in or end-of-service festivities. A PRC Embassy Addis Ababa contact separately told us that Chinese volunteers in Ethiopia are sponsored by the Communist Party Youth League. The one-year volunteer programs began in

2005 and the second tranche of 49 volunteers will complete their year in October 2007. The volunteers are attached to GOE ministries as extension workers/advisors or to schools to teach English or Chinese. Most volunteers are in their twenties. The program exists in at least seven other African countries, according to our contact.

...and Telecommunications Cooperation

¶4. (C) Ambassador Lin said China would consider technical cooperation between Chinese firm ZTE, which has been granted essentially a monopoly by the GOE to develop Ethiopia's telecommunications network and infrastructure, and American firms. Ambassador Lin acknowledged that ZTE lacks expertise in a number of critical areas, including fiber optics and said ZTE might be willing to subcontract American firms to boost Ethiopia's overall telecommunications capacity. PRC Embassy contacts acknowledge that economic development in Ethiopia can be retarded by technological constraints. (Note: With one of the lowest telecommunications penetration rates on the continent, Ethiopia has slowly begun expanding telecommunications infrastructure and service in recent months, but retains tight control over what expansion is permitted. It is not clear to what extent contracts are awarded via open tender processes, but China has received the vast majority of these contracts. Partnering with ZTE could be an effective option for American telecommunications and technology firms to break into Ethiopia's telecommunications sector; the challenge will be doing so while protecting sensitive technologies from being lost to the Chinese. End Note.)

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PRC Development Assistance

¶5. (C) China-Ethiopia bilateral trade totaled USD 560 million in 2006, according to PRC Embassy contacts. The GOE has acknowledged receiving USD 708 million in "development loans" from China thus far in 2007, including a USD 208 million loan announced on September 25 to finance power generation and expand a cement factory. PRC Embassy contacts tell us these loans are considered development assistance under the broad auspices of the Forum for China-Africa Cooperation, but do not fall under the USD 5 billion development fund announced by President Hu Jintao to encourage Chinese investment in Africa. One PRC Embassy Addis Ababa contact noted that PRC leadership has, over the past year or two, undergone a "paradigm shift" in thinking about aid and development in Africa. In contrast with past practices that emphasized primarily ideological solidarity and government-to-government relations, China now also pays particular attention to four areas: (i) raising the standard of living for ordinary Africans; (ii) enhancing people-to-people exchanges; (iii) ensuring Chinese companies act responsibly; and (iv) protecting the security and property of Chinese citizens and companies in Africa. As one example of the shift, the PRC Embassy in Addis Ababa recently donated approximately USD 1,000 to an Ethiopian non-governmental organization working on women's health issues.

Comment

¶6. (C) In line with PRC views expressed in the U.S.-PRC Sub-dialogue on Africa, the PRC Embassy in Addis Ababa has signaled China's willingness to cooperate with us on specific development initiatives in Ethiopia. Chinese scholars and PRC MFA officials have consistently told us that China prefers to begin with discrete projects and expand cooperation once trust and "mutual benefit" has been established. The exchange of views on demonstration farms

will be a good first step. China's evolving approach to aid and development may open avenues for further cooperation between the United States and China in Africa, according to PRC Embassy Addis Ababa contacts. As one Chinese interlocutor told us, "Cooperation between China and the United States on Africa is very new to us and it will take time to build this relationship. We are at the very beginning." End Comment.

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